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Weekend Reading For Financial Planners (February 22–23)
By Adam Van Deusen
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Executive Summary
Enjoy the current installment of "Weekend Reading For Financial Planners" - this week's edition kicks off with the news that a recent study by Cerulli Associates finds that while financial planning clients (particularly high-net-worth clients) are overwhelmingly satisfied with their advisors, many advisors face client acquisition challenges despite investors being increasingly willing to pay for advice services. The study identifies a potential cause as confusion among some prospects about how their advisor would be compensated, suggesting that increased transparency from advisors (and linking their fees to the value they provide) could help remove this barrier to seeking an advice engagement.

Also in industry news this week:

A majority of married women are their family's primary financial decision-makers, according to a CFP Board study, which also identifies the sometimes-differing planning priorities of female and male clients
A report from AdvisorTech firm Orion finds that while a majority of advisory firms plan to increase their tech spending in the coming year (by an average of 19%), many advisors aren't taking advantage of the full suite of software and features available to them
From there, we have several articles on financial advisor value:

A new study finds that clients working with an advisor would see a 2.39%–2.78% annual return premium (based on investment and tax planning services) over those without an advisor, after accounting for inflation and fees
How offering client 'touchpoints' during the year can help an advisor demonstrate the work they put in for clients between regularly scheduled meetings
Nine ways advisors add value to clients when it comes to portfolio management, from leveraging tax-efficient investment strategies to freeing up the client's time and mental bandwidth
We also have a number of articles on college planning:

How legislation from the past few years has made saving for college in 529 plans increasingly attractive
How advisors can help clients with children in college understand and correctly apply Forms 1098-T and 1099-Q
A review of non-traditional pathways to an undergraduate degree, which can offer money and time savings for interested students and their families
We wrap up with three final articles, all about company culture:

The importance of leadership access, transparency, and camaraderie when it comes to building a strong company culture
How firms can establish team rituals that are both durable and promote employee engagement
A step-by-step process to bring a (virtual) team together for an in-person retreat
Enjoy the 'light' reading!

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Read more of Adam’s articles here.

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Advisors Earn High Marks From Clients, While Some Prospects Question Fees: Cerulli
(Leo Almazora | InvestmentNews)

Financial advisors are aware of the value they provide their clients, from quantitative topics like tax and investment planning to qualitative support in goal-setting and behavioral management. And given high retention rates for the industry (with one study finding retention rates north of 97%), clients appear to see this value as worth the fees that they pay. Nevertheless, recent survey data suggest that some consumers who might otherwise work with a planner aren't making the same judgment.

According to research from Cerulli Associates, 80% of financial advisory clients are satisfied with their primary financial advisor (rising to 88% of those with more than $5 million in investible assets). Despite this high level of satisfaction from current clients, the firm also found that 55% of advisors cite client acquisition as a significant challenge, with related hurdles including building multigenerational relationships, differentiating their services, retaining clients, and justifying fees. Part of this challenge could be confusion among prospects about advisor fee models (as one in four advisory clients surveyed said they didn't understand how their advisor is compensated), even as investors appear increasingly willing to pay for advice services (with 59% of high-net-worth respondents indicating they would pay for advice, up from 45% in 2015). Which suggests that providing greater clarity on how a firm's fees are calculated could give prospective clients more confidence in what they would pay (and whether they meet any firm fee minimums in the first place).

Ultimately, the key point is that while the price that clients pay for advice has become more transparent amidst the industry's shift towards AUM and fee-for-service models, some prospective clients might have inaccurate notions about

how much they might have to pay for advice (even after reviewing a firm's website). With this in mind, advisory firms that clearly demonstrate their value proposition (and link that value to the fees they charge) could potentially gain a leg up when it comes to attracting prospects who would be ideal clients for the firm!

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Majority Of Married Women Are Family's Primary Financial Decision-Maker: CFP Board
(Alec Rich | Citywire RIA)

In many client couples, one partner acts as the family "CFO", handling financial decision-making (and perhaps being the primary liaison with their financial advisor). And according to recent research, this role is primarily being taken on by women, which raises implications for how (and whether) different planning issues are discussed.

According to a study by CFP Board (which surveyed 301 female consumers), 60% of married respondents indicated that they were the primary investment decision-makers in their households (with 69% of female consumers overall indicating they are the primary decision-makers when making investment decisions). In addition, among the women surveyed who were employed and had a partner, 44% said they earn more than 60% of their household's income (with only 20% responding that their partner earns the majority of income). Meanwhile, a survey of 296 female CFP professionals found that 62% of female clients with a male spouse or partner either took the lead in planning conversations (21%) or contributed equally with their partner (21%), indicating that the sub-group of women with advisors is having an active voice in planning conversations.

The study also looked at the priorities of women and men when it comes to their finances. Among the female consumers surveyed, 83% identified having enough money to live comfortably through retirement as a high priority, with other priorities identified including increasing savings for retirement (71%), having a sufficient emergency fund (68%), managing health care costs (45%), and planning for long-term care needs (45%). In addition, the female financial advisors surveyed identified the issues that tend to be comparatively more important to their female clients (e.g., planning for caregiving expenses, planning for long-term needs, and managing health care costs), their male clients (e.g., tax planning, paying off a mortgage, and increasing savings for retirement), as well as those that are relatively equal priorities (e.g., paying off student loans, buying a home, and saving for children's education), suggesting that surveying each partner's priorities could uncover planning issues that might not be identified when communicating with only one.

In sum, this research indicates that women are taking a significant role when it comes to both earning and managing their family's finances, suggesting that they

are likely to be prime consumers of financial advice today and in the years ahead (which might serve as a nudge to advisors to ensure they are listening to the needs of each member of client couples (and not focusing on the more vocal 'CFO') and whether their planning topics and services match the priorities of both female and male clients?).

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Advisors Plan To Boost Tech Spending, Though Many Don't Use What They Already Have
(Rob Burgess | Financial Planning)

Amidst a growing universe of AdvisorTech tools, it can be tempting for advisors to seek out new software that will help take their firms to the next level (whether in terms of prospecting, conducting planning analyses, or presenting information to new clients). However, doing so can be pricey and, according to a recent survey, potentially lead to a situation where certain investments go unused.

According to a study by AdvisorTech provider Orion (which surveyed 585 financial advisors), 54% of respondents plan to increase their tech spending in 2025 by an average of 19% (a jump from 48% of respondents and an average increase of 16% in last year's survey). While this indicates that many firms are considering growing their tech stacks, the survey also found that advisors are using just 60% of their current tech stacks (with 38% of advisors focusing on improving tech stack utilization this year), suggesting that a number of firms are spending money on software tools and/or features within them that aren't necessarily needed by their advisors or clients (perhaps offering an opportunity to trim their stack to open up room for more relevant tech investments?). An additional issue identified in the report surrounds AdvisorTech integrations, with the study finding that just 55% of the technology advisors use is integrated (potentially leading to inefficiencies and data siloes).

Altogether, this report suggests that the size of a firm's tech stack is perhaps less important than how relevant it is to its advisor's work and the planning needs of its clients (as well as how they prefer to interact with technology), with well-integrated tools serving as a boost to achieve even greater efficiency?

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New Study Puts Annual Financial Advisor Value Premium At More Than 2%
(Tobias Salinger | Financial Planning)

Financial advisors offer significant intangible value for their clients, from providing peace of mind that they are on a sustainable financial path to helping calm their nerves when markets are turbulent. At the same time, advisors also offer value in terms of hard dollars through the various services they offer, with previous research finding economic benefits of (portfolio-related) financial advice

from 1.5% to greater than 3%.

A new study by SmartAsset Director of Economic Analysis Jaclyn DeJohn revisits this question, with her model (focusing on the investment gains and tax savings that can come from working with an advisor) finding that clients working with an advisor would see a 2.39% to 2.78% annual return premium over those without an advisor (after accounting for inflation and fees). Depending on the age they start working with an advisor, clients could see an estimated 36% to 212% more dollar value to their bottom line over a lifetime (e.g., a 45-year-old might see a range of lifetime advisor premium to their net worth of 92% to 113%). Accordingly, while firms can earn significant fees from working with clients over time (e.g., a firm working with a 45-year-old client with a $1 million starting portfolio could expect to receive approximately $650,000 in fees over the client's lifetime [assuming a 0.75% AUM fee], clients are expected to extract even more value (with the client in this example experiencing a lifetime surplus of approximately $2 million from working the advisor). Which helps demonstrate that while advisor fees might seem intimidating to some prospective clients in dollar terms, the value of services provided can far exceed this outlay.

In the end, while the specific value each client will receive from working with an advisor will differ based on their particular circumstances, this latest study provides additional backing for the idea that financial advisors can offer clients significant hard-dollar value, well in excess of the fees they charge (and excluding much of the qualitative value they can provide!).

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How Advisors Can Stay Visible (And Demonstrate Value) Between Meetings
(Derrick Kinney | NAPFA Advisor)

While new clients tend to have many in-person (or Zoom) touchpoints during their first year working with a financial planning firm, the number of face-to-face interactions can decline in subsequent years (perhaps being limited to an annual or semi-annual meeting). Nevertheless, despite the decline in the number of meetings, advisors continue to perform 'invisible work' on behalf of their clients (from portfolio rebalances to tax return reviews and more). Which suggests that helping clients 'see' this work can help show them the ongoing value their advisor is providing.

One way to show clients that their advisor is 'thinking' of them outside of regular meetings is to schedule 'spontaneous' touchpoints, which could be something as simple as a call on their birthday or a more involved lunch to celebrate an accomplishment (and perhaps gather feedback from the client as well?). Another option is to send regular emails to clients that go beyond 'standard' market commentary to include a piece of information 'exclusive' to the client (e.g., how a recent interest rate decision by the Fed might impact their portfolio). Advisors can also take advantage of external content, curating pieces that will be of

particular interest to a certain client (to show that the advisor understands their needs and isn't trying to overwhelm them with articles). Perhaps more broadly, finding opportunities to 'follow up' on topics raised during previous conversations and meetings can show the advisor is listening and working on the client's needs (even if the client doesn't 'see' every action being taken).

Ultimately, the key point is that because financial advisors perform valuable tasks for clients throughout the year, demonstrating this to clients (perhaps combining it into an annual service calendar?) can reassure clients that they are receiving significant ongoing value in return for the fees they pay!

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Nine Ways Advisors Add Value When It Comes To Investment Management
(Meg Bartelt | Flow Financial Planning)

For much of the 20th century, working with a broker was required for a consumer to invest in stocks and bonds. But with the dawn of the computer age came the ability for consumers to buy and sell investments directly using online platforms. Which might lead some investors to question the benefits they would receive from having a professional manage their investments for them.

For many financial advisory clients, a major benefit from working with an advisor is the time (and mental bandwidth) they no longer have to spend on managing their portfolio themselves and the related administrative tasks involved (whether the client is a busy professional juggling various responsibilities or a retiree who would rather focus on hobbies other than investing). Of course, advisors can also offer many financial benefits as well. To start, advisors can analyze what's in a prospect's current portfolio and whether it is aligned with their goals (as well as scan client accounts for extra cash that could be invested). Advisors also help clients manage risk, through choosing an asset allocation that reflects the client's goals (and rebalancing it along with their time horizon) and ensuring they are diversified within each asset class. Advisors also have a range of strategies for minimizing the taxes clients pay across their lifetime, whether through asset location, tax loss harvesting, tax gain harvesting, using tax-efficient investment products, or through strategic charitable gifting (i.e., donating appreciated stock rather than cash). Advisors can also help clients manage their investing behavior (e.g., by creating an investment policy statement that can be referenced during periods of market volatility) to dissuade them from making drastic, and potentially harmful, investment decisions.

In sum, there is no shortage of ways advisors add value to clients when it comes to portfolio management (that don't include picking 'hot' stocks or funds). Which, when combined with the (many) other ways comprehensive financial planners offer value for their clients, can make working with an advisor an attractive proposition!

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How 529 Plan Assets Affect College Financial Aid
(Hyunmin Kim and Margaret Giles | Morningstar)

529 plans offer a tax-efficient means of saving and paying for college expenses. Notably (among other benefits), distributions from 529 plans are tax- and penalty-free to the extent that they are used for the beneficiary's qualifying education costs. Nonetheless, some families interested in saving for college might hesitate to contribute to these plans because of their potential impact on financial aid eligibility.

While 529 plan assets can affect the amount of financial aid a student might be offered, its impact might be less than many clients assume. To start, when calculating a parent's expected contribution to paying for college (using the FAFSA form), 529 plan assets are assessed at 5.64% (i.e., a 529 plan with $10,000 would reduce the federal aid package by at most $564), much lower than the 25% to 47% for parental income, though this only applies to parent-owned plans (as student-owned plans are assessed at up to 20% of the account value). In addition, the 2022 FAFSA Simplification Act boosted the benefits of 529 plans, including by only considering 529 plans where the student is the beneficiary in financial aid calculations (so that 529 plans where the beneficiary is a sibling won't impact a student's aid, though this does not apply to the CSS Profile, which is used by many private schools to determine aid packages), and no longer considering 529 plans owned by grandparents or other relatives when it comes to assessing the student's ability to pay for college.

Altogether, while 529 plans have long been a tax-efficient way to save for a child's educational needs, recent developments in how financial aid eligibility is determined (along with the option [subject to certain restrictions] to roll 529 plan assets to a Roth IRA), could make them even more attractive for clients (particularly those who might be eligible for need-based financial aid).

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What Clients Need To Know About IRS Forms 1098-T And 1099-Q
(Ann Garcia | The College Financial Lady)

During the first months of the year, clients will receive a wide variety of IRS forms with important information to be included when filing their tax return. And while many of these will be familiar (e.g., Form W-2 or Form 1099-B), those with students in college might receive forms 1098-T and 1099-Q, which they might not recognize.

Form 1098-T is a tuition statement that students receive for their college and documents both eligibility to claim the American Opportunity Tax Credit (AOTC) or the Lifetime Learning Credit and that the student was enrolled in a college and that 529 withdrawals up to the net cost of attendance are therefore

qualified. Notably, Form 1098-T only shows tuition net of scholarships and not additional qualified expenses for the tax credits or 529 plan withdrawals (so simply entering the amount on Form 1098-T when claiming the AOTC on Form 8863 might lead to a credit less than what a taxpayer might be eligible for). In addition, because the AOTC only allows expenses paid during the calendar year to be used for that year's credit, it's important to recognize that because a 1098-T might show amounts paid during the calendar year or amounts billed, taxpayers will only want to include payments made during the appropriate calendar year when calculating the credit.

Form 1099-Q shows the total distribution amount from a 529 plan, including both the amount of basis and earnings in it, though amounts on Form 1099-Q only need to be reported on a tax return if the distributions were non-qualified (i.e., not used for qualified expenses such as tuition, fees, room and board, and required expenses). Notably, clients might consider having 529 distributions go to the student rather than a parent, as doing so will ensure both the 1098-T and 1099-Q will have the same Social Security number (so they will match in the IRS' computer system) and, in case of non-qualified distributions, the earnings portion will be taxed at the student's (likely lower) tax bracket rather than that of their parents (though it will still be subject to a 10% penalty as well).

Ultimately, the key point is that financial advisors have the opportunity to add value for clients with students in college by letting them know about the importance of Forms 1098-T and 1099-Q and how (for Form 1098-T) that the tuition amount reported on the form might not tell the full story of the expenses eligible for the AOTC or 529 distributions they incurred during the year.

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Exploring Alternative Pathways To College Degrees
(Geoffrey VanderPal | Journal of Financial Planning)

For many clients and their students, attending an in-person, four-year college is a common goal. However, amidst higher sticker prices for many schools, some of these families might instead look for options that offer a faster path to graduation and/or lower costs.

For instance, students can fulfill general education credits for many schools by using online platforms like Sophia.org, Study.com, and StraighterLine.com, as well as 'credit-by-exam' programs through the College Level Exam Preparation (CLEP) program, which offer flexible scheduling, lower tuition than traditional colleges, and transferability to a variety of schools that accept these credits. Students could also consider accelerated programs (e.g., Boston University's Metropolitan College and Purdue Global), which offer intensive programs (with faster degree completion) or competency-based education programs (e.g., Western Governors University), which let students advance based on mastery of skills rather than time spent in a classroom.

A variety of lower-cost options are also available for students who want an on-campus experience for (at least some of) their college tenure. Potential pathways include starting at a community college and transferring the credits to a traditional four-year college (with many state college systems offering guaranteed admission programs to state schools for those who qualify). More adventurous students might also consider enrolling in an international college program, with many colleges offering free or low-priced (compared to many colleges in the United States) tuition.

In the end, while the traditional on-campus, four-year college path might be attractive for many clients and their students, the growth of online education platforms has opened up new possibilities for those who want to save time and/or money while still getting a degree (or, perhaps, pursuing CFP certification).

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Three Ways To Build A Stronger Company Culture
(Michael Bryan | AdvisorHub)

While the concept of having a strong company culture is appealing to firm leadership and employees alike, there is not necessarily a single definition of what "company culture" means. Which can sometimes lead firms to engage in a hodgepodge of actions to try to build culture. With this in mind, Bryan offers three key areas of focus for firms looking to build a strong company culture.

The first example of a strong company culture can be seen in firms that offer employees (actual) access to leaders and decision-makers at the firm. Because while many leaders might say they have an 'open-door policy', there's a big difference between being able to pop in and bounce an idea off of them and having to schedule a meeting several days out. Next, transparency from leadership regarding the firm's strategic plans, priorities, and/or policies can build trust amongst employees and give them a better idea of where the firm is headed and how their role fits within this vision. For job candidates interviewing with a firm, asking leadership about their three- and five-year vision, key initiatives, and shorter-term roadmap not only can reveal whether the firm prizes transparency, but also whether this vision matches the candidate's own goals. Finally, advisory camaraderie is also a major part of building company culture. Finding ways to bring team members together (e.g., through an in-person, all-company retreat) can improve team collaboration and encourage more workplace friendships (which could make employees more likely to stick with the firm).

In sum, while each firm has its own unique values, focusing on applying them to these three areas (leadership access, transparency, and camaraderie) could help build trust throughout its employee ranks and, ultimately, better attract and retain talent!

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The Surprising Power Of Team Rituals
(Marilyn Zakhour and Constance Noonan Hadley | Harvard Business Review)

Many individuals participate in rituals in their personal lives, whether it's having a certain breakfast routine or perhaps a regular religious practice. In addition, rituals can be found in the workplace as well, and recent research suggests that establishing and maintaining these rituals can lead to stronger employee engagement.

Zakhour and Noonan Hadley define rituals as "collective activities that members of a team engage in regularly and to which they attribute meaning" and found that workplace rituals include facilitated conversations (e.g., icebreakers), team check-in meetings, retrospectives, and formal onboarding processes. Based on a survey of individuals from 60 countries, the authors found that those working on teams that scored the highest in terms of the number of rituals performed and their frequency felt 23% more committed to the team's purpose, experienced a 20% bump in levels of psychological safety, had 28% greater interpersonal knowledge and recorded 22% higher job satisfaction compared to those with low levels of rituals.

The authors found that many successful rituals were initiated at the management level (with input from team members themselves), as employees who believe their leader is all-in on the ritual will be more likely to participate as well. Effective rituals also tend to be linked to a higher purpose, typically aligned with specific goals, the team's culture, and the organization's purpose. For instance, a team might meet once a month not only to discuss its progress on major projects, but also to discuss the processes that they are using to ensure they are still effective and meet team member needs. In addition, regular participation by all team members (seeing them as a core aspect of their job and not an optional extracurricular activity) is a key factor in driving the effectiveness of rituals (which suggests that teams might start one ritual at a time to ensure that adding another won't overwhelm employees). At the same time, some rituals will run their course and no longer be as effective (or desired), suggesting that regular reviews to determine whether chosen rituals remain appropriate could be effective.

Ultimately, the key point is that team rituals provide a way for teams to build established feedback mechanisms and personal bonds in a way that reflects their values and interests. Which could lead to more open communication and greater feelings of inclusion among team members!

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A Step-By-Step Process To Bring A (Virtual) Team Together For An In-Person Retreat
(Sydney Squires | Nerd's Eye View)

For the advisor leading a virtual team, the day-to-day can offer a rewarding blend of flexibility, creativity, and productivity; at the same time, though, many of the benefits of remote work can also make it challenging to build a tight-knit team culture. For example, with flexibility comes fewer synchronous interactions, which in turn can result in less innovation, team bonding, and collaboration. While these criteria are not crucial to running a viable business, the reality is that they are still important factors in establishing a flourishing business, and face-to-face time in some form or another can be invaluable for building a strong, aligned team. With this in mind, holding an in-person team retreat once or twice a year can be a powerful way to bring the team together… without having to commit to an in-person office in the long term.

As a starting point, to get the most out of a team retreat, it's important to focus on one key theme driving the feeling that team members should leave with at the end of the retreat. This can be curated by assessing present team needs (which means the theme will likely change from retreat to retreat). For example, while a seasoned team who has just finished a busy tax season may need a retreat that leaves them feeling "recharged", a more recently formed team full of new hires may benefit more from feeling "aligned" with each other and with the company's vision. Starting with a theme is essential because it acts as a filter through which all other decisions can be made, from the type of venue that's selected to the different activities planned out.

Whatever theme is selected as the focal point of the retreat, four key takeaways can further drive home the main idea: (Re-)Setting The Vision (where company leaders share the past, present, and future vision of the company); Learn Yourself, Learn Your Team (where team members learn about each other and how to work together more cohesively); Connect With Who You Serve (where team members meet with those whom they work with closely, ranging from clients to contractors to Centers Of Influence); and, perhaps most importantly, Be Humans Together (where everyone can enjoy their face-to-face time and bond as a team).

While a great deal of work is involved in the logistical planning of organizing a retreat (e.g., determining dates, selecting a location, finding a venue, purchasing flights, and all of the other 'little' things required to get a virtual team into the same place at the same time), a good checklist can be instrumental in helping leaders ensure that all arrangements are optimally organized. Generally speaking, beginning the retreat planning process at least four months before the retreat date usually provides for enough time to work through all of the logistical details and offers enough advance notice to team members – though the time may vary depending on the retreat activities and the level of the retreat organizers' event planning experience.

Ultimately, the key point is that an in-person retreat can be a powerful tool to help a virtual team get many of the benefits of face-to-face collaboration without requiring the team to be physically together all the time. Additionally, with a cohesive theme guiding the agenda and a comprehensive checklist of logistical

tasks, a team leader can delegate many of the organizational responsibilities that will contribute to a memorable and productive retreat!

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We hope you enjoyed the reading! Please leave a comment below to share your thoughts, or make a suggestion of any articles you think we should highlight in a future column!

In the meantime, if you're interested in more news and information regarding advisor technology, we'd highly recommend checking out Craig Iskowitz's "Wealth Management Today" blog.